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## Introduction

### Background

- 1.1 The House of Representatives Standing Committee on Economics, Finance and Public Administration is responsible for monitoring the Reserve Bank of Australia (RBA) and for ensuring its transparency and accountability to the Parliament, the financial sector and the community as a whole.
- 1.2 The Reserve Bank Governor's appearances before the Committee at biannual public hearings are an important element of the Bank's accountability framework. These biannual appearances are provided for by two means:
  - the August 1996 *Statement on the Conduct of Monetary Policy*, agreed between the Treasurer, the Hon Peter Costello MP, and the Governor, Mr Ian Macfarlane.<sup>1</sup> The statement formalised the Bank's accountability framework and the biannual appearance before the Committee; and
  - the Standing Orders of the House of Representatives, which provide for the referral of annual reports within a committee's area of portfolio responsibility for any inquiry the committee may wish to make. The House Economics Committee may inquire into

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<sup>1</sup> A second *Statement on the Conduct of Monetary Policy* was released in July 2003, building on the 1996 Statement. Both documents can be viewed on the RBA's website at [www.rba.gov.au/MonetaryPolicy](http://www.rba.gov.au/MonetaryPolicy).

aspects of the annual reports of the RBA and the Bank's Payment Systems Board.

- 1.3 The biannual hearings typically coincide with the release of one of the RBA's quarterly statements on monetary policy. At the June 2004 hearing in Sydney, the Committee scrutinised the RBA's *Statement on Monetary Policy* for both February 2004 and May 2004.
- 1.4 As with previous reports, this report focuses on matters raised at the public hearing. The report does not repeat in detail the commentary in the RBA's *Annual Report* and statements on monetary policy. These documents may be viewed through the Bank's website.<sup>2</sup>

## Scope and conduct of the review

- 1.5 The Committee held two public hearings following the tabling of the RBA's *Annual Report 2003*. The first was held at Queensland State Parliament House in Brisbane on 8 December 2003, with an interim report released by the Committee in March 2004, and the second was held in Sydney on 4 June 2004.
- 1.6 Proceedings for the Sydney hearing were streamed over the internet through the Parliament's website, allowing any interested parties to hear the proceedings as they occurred. This is now standard practice for the Committee's RBA hearings. The Governor's opening statements and the transcript of the hearing is available on the Committee's website.<sup>3</sup>
- 1.7 Before the hearing, the Committee received a private briefing on 31 May 2004 from Rory Robertson, Interest-rate Strategist at Macquarie Bank. This briefing was of great assistance to the Committee in highlighting issues for discussion at the public hearing.
- 1.8 The hearing in Brisbane was the third to be conducted outside Melbourne, Sydney or Canberra – the first was the December 2000 hearing in Wagga Wagga in NSW and the second was the December 2002 hearing in Warrnambool in Victoria. Hearings outside Sydney and Melbourne have played a valuable role in involving regional Australia in the parliamentary committee system.

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2 [www.rba.gov.au/PublicationsAndResearch/](http://www.rba.gov.au/PublicationsAndResearch/).

3 [http://www.apf.gov.au/house/committee/efpa/RBA2002\\_03/index.htm](http://www.apf.gov.au/house/committee/efpa/RBA2002_03/index.htm).

- 1.9 The Committee was delighted that the Sydney hearing was well attended by members of the public and students from secondary schools and universities. About 120 secondary school students attended the hearing.
- 1.10 The Committee's public hearings with the RBA have helped to bring issues of monetary policy into the public arena and have assisted to provide a public face to parliamentary committees and the RBA. The Committee welcomes the Governor's frank and honest comments at the hearings. The hearings are also an important means by which markets can be better informed of the current thinking of the RBA on a range of current economic and banking issues.

